



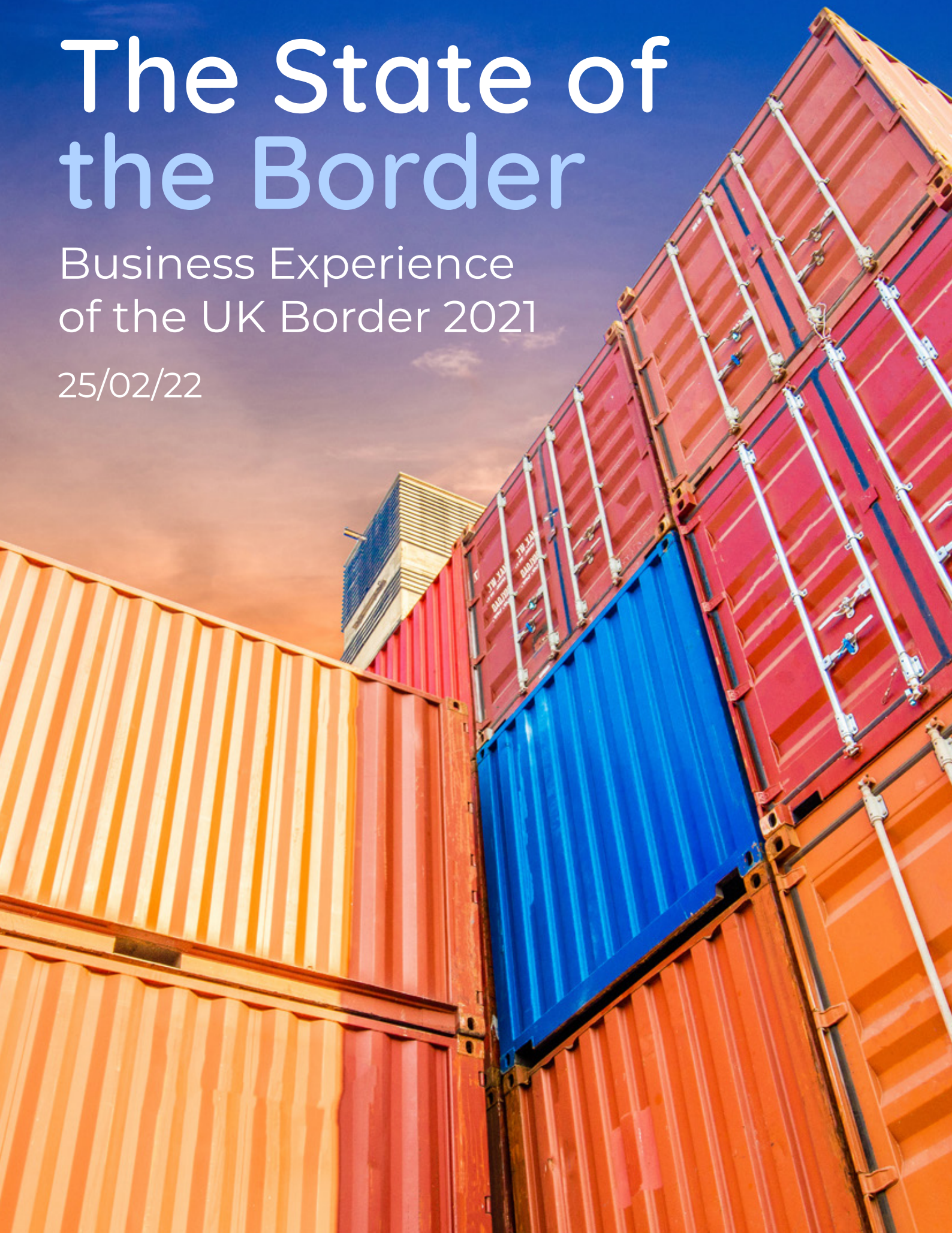
Global Counsel

clearBorder

The State of the Border

Business Experience
of the UK Border 2021

25/02/22



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Executive Summary



Executive Summary

On 1 January 2021, for the first time in 28 years, UK trade with the EU became subject to customs protocols. The UK border is now a significant feature of all UK supply chains. clearBorder and Global Counsel conducted research between December 2021 and January 2022 to understand businesses' experience of the border.

Our aim is to assist businesses and officials make decisions about investment, to inform public debate and to support the growth of international trade.

We surveyed 151 businesses with experience using the border covering the period January to December 2021. We asked them to report on their experience in a range of areas related to their internal capability, experience of the border, costs incurred and their commercial strategies for addressing challenges.

Section 1 of this report reviews the core patterns of trade across the UK border in 2020 and 2021, considering modes and routes, the impacts

of COVID-19 and the UK's departure from the EU. Section 2 sets out the findings of our business survey, broken down by different issues that navigating the border can raise for traders. Section 3 provides an overview of policy developments on the border in the UK in 2021 and what to watch in 2022.

More detail on our approach is available at the end of this report. These are our findings.

The border under pressure



2021 in the UK saw the largest set of new obligations at any major economic frontier in the modern period – the end of almost three decades of customs-free trade between the EU and UK.

Port and customs capacity is unevenly used

- 2021 saw broad continuity in traffic crossing the UK border, using a variety of sea-borne modes.
- The Netherlands and France dominate routes to the EU single market, as they did in 2019.
- Irish channels continued to play an outsized role in distribution networks across the British Isles.
- Most UK ports staged a general recovery from COVID-19 impacts in 2020, with some evidence of re-routing on Irish Sea crossings and in usage of some South and East coast ports.
- The Dover Straits dominate accompanied (with a driver) RoRo traffic.
- Unaccompanied (trailer-only) RoRo and containers have more flexible options across UK ports. There are signs of traders increasing use of this mode for EU trade.

Delay, rather than cost, was the predominant issue in 2021



83%

of respondents have experienced delays with imports; 67% have experienced delays with exports. More than three quarters of traders think these have got worse since 2020



70%

of respondents have increased delivery times to absorb possible delays



59%

of respondents experiencing delays cite lack of UK customs capacity



33%

have had goods rejected/impounded

Trader strategies



57%

have increased stock levels, citing prices rises and border disruption as major causes



37%

have changed mode of transport for import



34%

have changed their main port of entry to EU for exports



38%

have established a subsidiary in EU to help manage import and exports



58%

have had to purchase new software



47%

have had to employ new staff

UK trade in 2021



UK trade in 2021

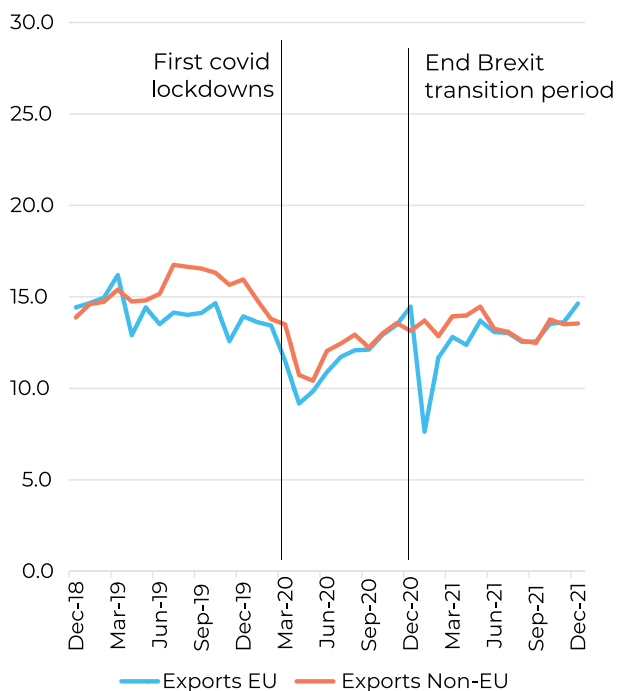
COVID-19 and the end of the Brexit Transition Period on 1 January 2021 dominate the backdrop to the operation of the UK border in 2021. Both had a profound impact on the realities of importing and exporting goods.

Fig 1 and 2: Total goods trade.

UK exports 2019 - 2021

Monthly total, £bn

Fig 1

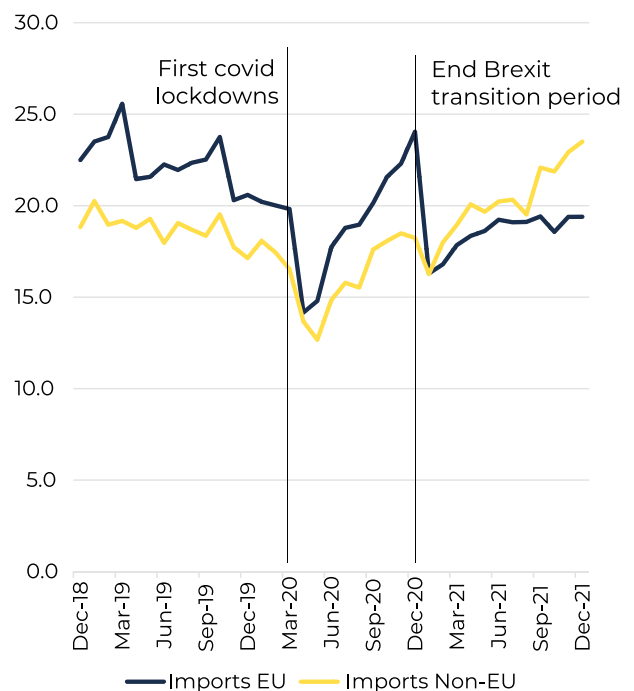


2020 saw a high level of volatility in cross-border flows. UK exports and imports fell sharply following the first wave of lockdowns. After a slow summer recovery, both flows recovered to pre-pandemic levels by the end of 2020. Anticipation of border changes also drove inventory strategy as the end of the year approached.

UK imports 2019 - 2021

Monthly total, £bn

Fig 2



Monthly UK trade Dec 18-Dec 21. Source: ONS, UK trade: December 2021

<https://www.ons.gov.uk/economy/nationalaccounts/balanceofpayments/bulletins/uktrade/december2021>

January 2021 saw the end of the Transition Period, compounded by some returns to COVID-19 restrictions.

This produced another sharp drop in trade with the EU, and to a lesser extent, the rest of the world (Figs 1 and 2).

Exports to the EU recovered relatively quickly, with trading businesses appearing to adapt to new EU formalities – a trend picked up in our survey. By the last quarter of 2021, exports to the EU had returned to their level in Q4 2018.

Imports from the EU fell sharply in early 2021, accentuated by a sharp rise in Q4 2020. This

may have been driven by firms stocking up as the Transition Period deadline approached. They subsequently rose slowly throughout 2021, although they remain below pre-pandemic levels.

Interestingly, this fall and slow recovery in EU imports occurred despite the UK not applying full import controls. These controls are due to apply through 2022 so the full impact will not be seen for another year at least.

UK imports and exports 2020

Transport mode and customs transit point, in tonnes

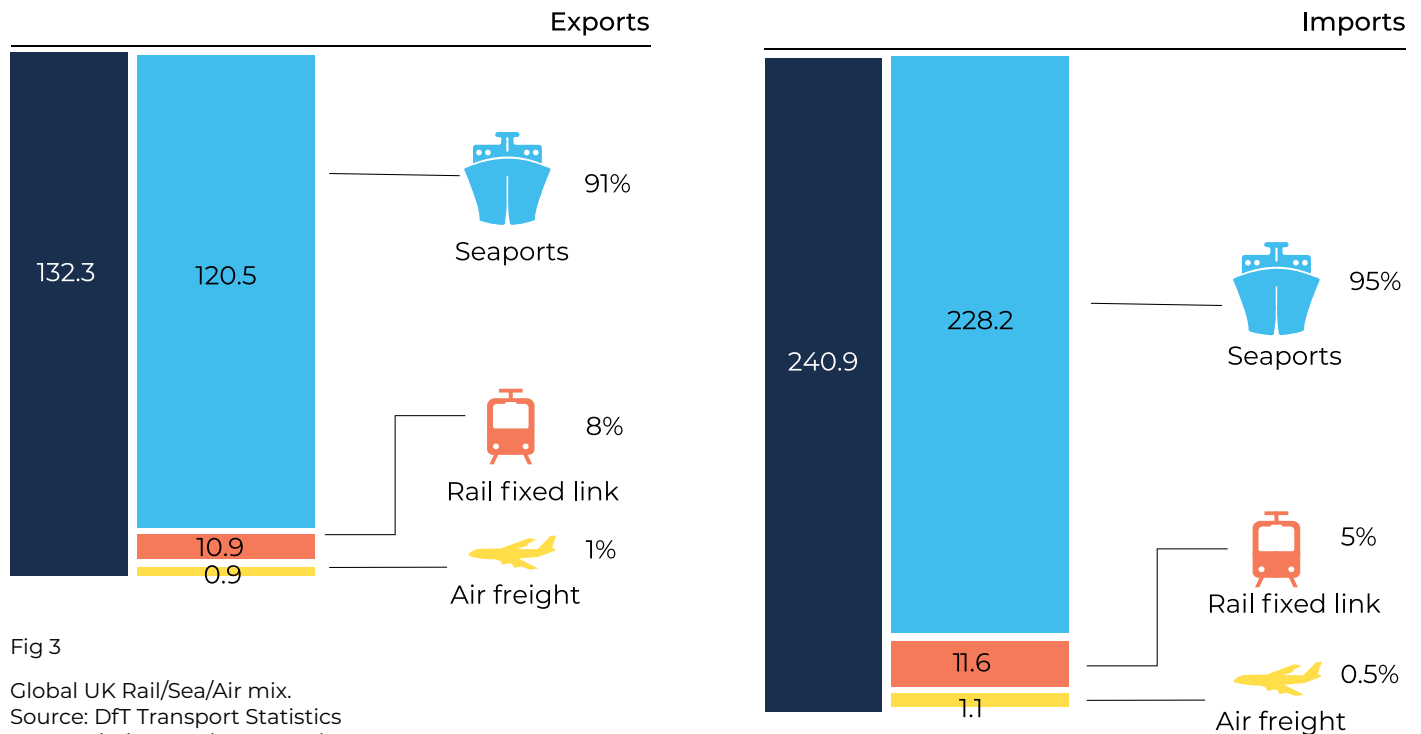


Fig 3

Global UK Rail/Sea/Air mix.
Source: DfT Transport Statistics
Great Britain: 2021 (16 December
2021)

<https://www.gov.uk/government/statistics/transport-statistics-great-britain-2021/transport-statistics-great-britain-2021>

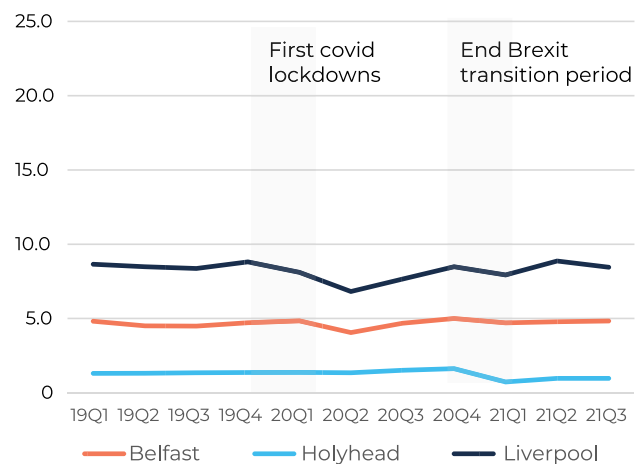
UK trade began 2021 with a familiar pattern of routes and modes.

The vast bulk of trade by weight entered via seaports and maritime border inspection posts in 2020 (Fig 3). The Channel Tunnel rail link accounted for around 10% of goods trade. While material in value, air-borne trade accounts for only around 1% of both imports and exports volumes, with Heathrow and its customs points handling much of this trade.

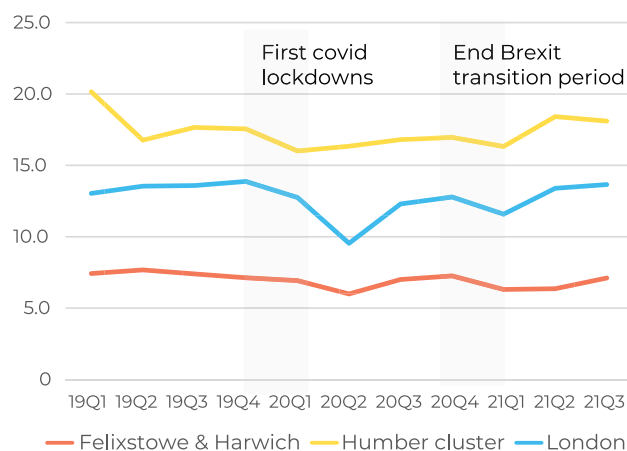
UK major port traffic 2019-2021

Quarterly, million tons, both directions

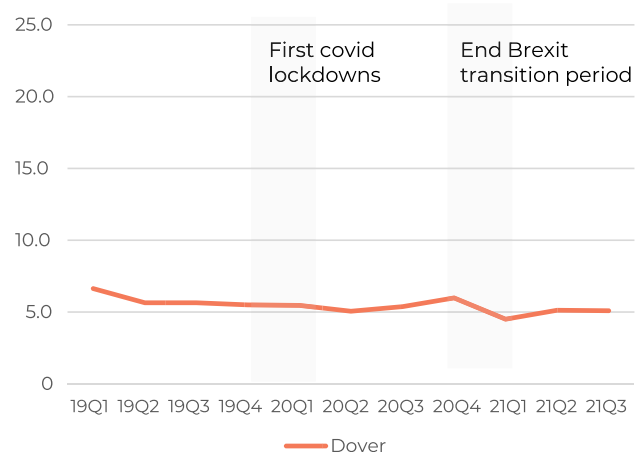
Irish Sea



Channel/North Sea



Straits of Dover



South Coast

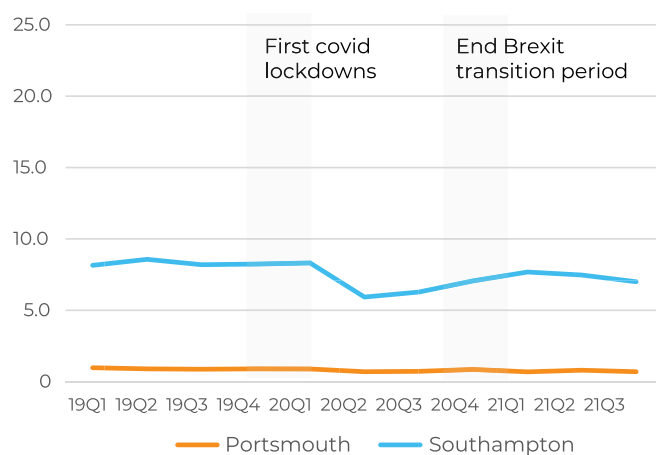
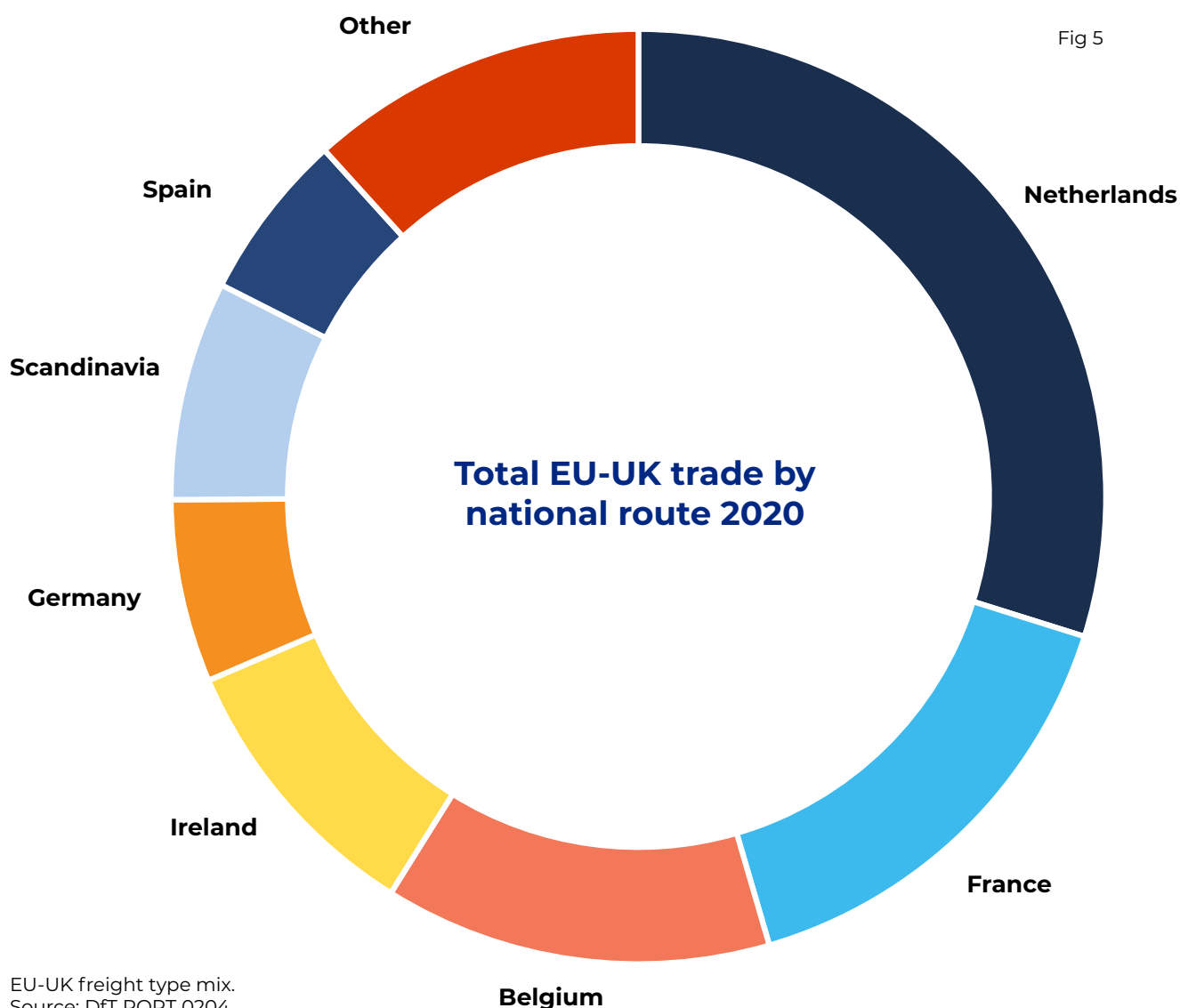


Fig 4

Quarterly Port usage 2019-2021.
Source: DfT PORT0502:

<https://www.gov.uk/government/statistical-data-sets/port-and-domestic-waterborne-freight-statistics-port>

Fig 5

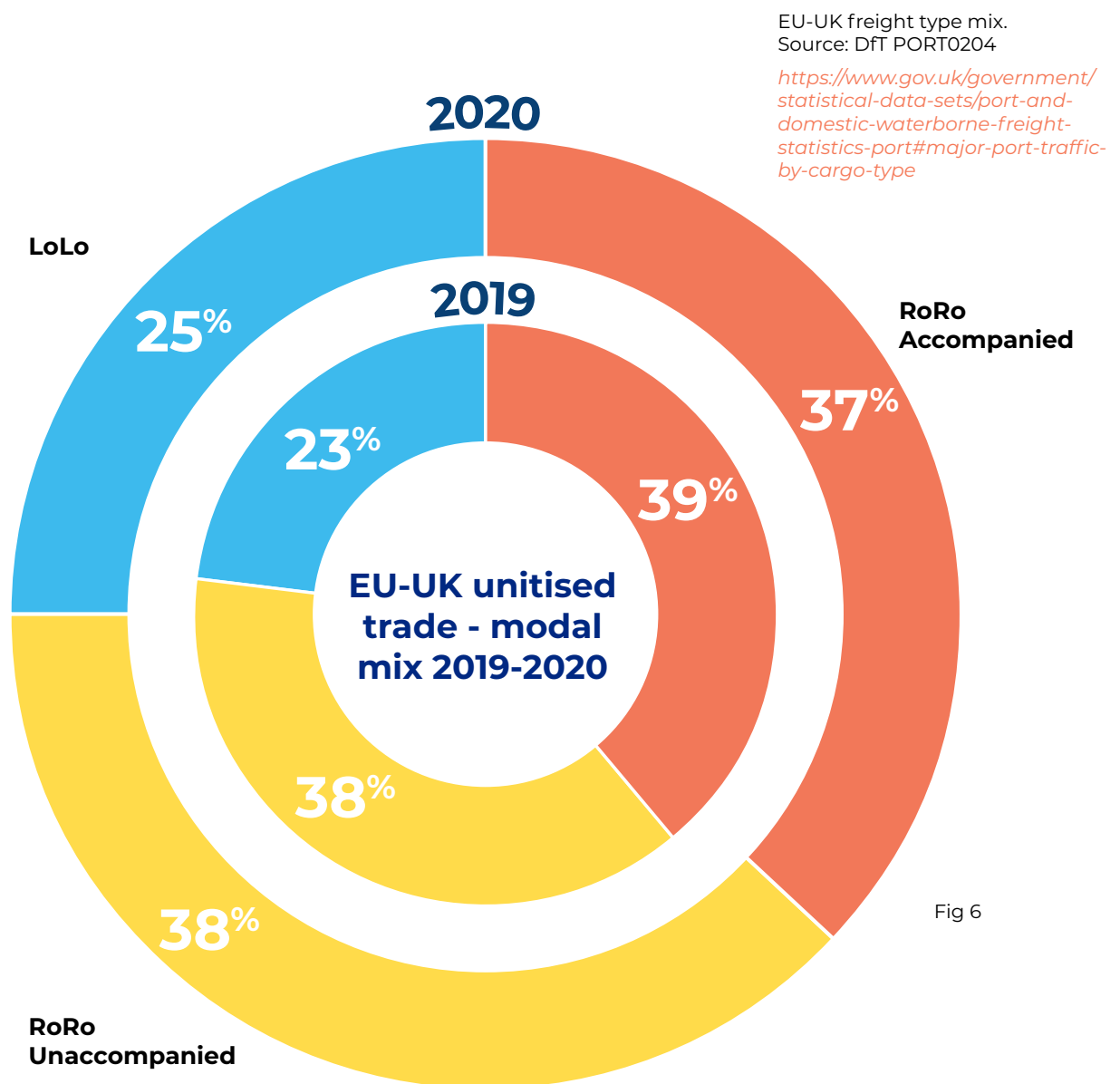


<https://www.gov.uk/government/statistical-data-sets/port-and-domestic-waterborne-freight-statistics-port#major-port-traffic-by-cargo-type>

The effect of COVID-19 lockdowns and their impact on supply chains around the world rippled through unitised volumes in UK seaports. Most UK ports saw sharp falls in volume in the second quarter of 2020 and sluggish recoveries through the second half. Container shortages and supply chain disruption impacted the UK's large global gateway ports in Southampton and Felixstowe. Overall, total volume in unitised trade fell around 3% across the UK network (fig 4).

However, these patterns were not always replicated in 2021 as Brexit impacts unfolded. The London and Humber ports staged a strong recovery in 2021. Holyhead's role in the key UK-Irish channel shrunk in 2021 – perhaps as traders to Northern Ireland sought to avoid the Dublin customs gateway. Belfast appears to have benefited from this.

Trade with the EU – beyond the bottlenecks?



Unitised RoRo, LoLo and container) trade patterns were broadly stable in 2020. Accompanied RoRo fell most as a result of the COVID-19 lockdowns. Unaccompanied RoRo and LoLo traffic was more resilient, despite issues with container volumes, with slight growth from 2019-2020 (fig 6).

RoRo dominated unitised trade, with a broadly even split between accompanied and unaccompanied, although as noted above, there are tentative signs that unaccompanied RoRo may be growing in attractiveness for traders anticipating practical issues with driver transit or seeking to avoid the Channel bottlenecks.

The Netherlands and France continued to dominate both LoLo and RoRo routes for continental trade in 2020. Most UK exporters to the continent therefore faced the customs systems of French and Dutch ports.

Ireland accounted for just over 10% of UK goods trade with the EU in 2020. One of the key practical impacts of 2021 was the recategorization of this trade as international and the application of customs protocols to it. As noted above, this appears to have impacted the Holyhead-Dublin corridor.

UK-EU RORO 2020, customs route

000mt – major ports shown

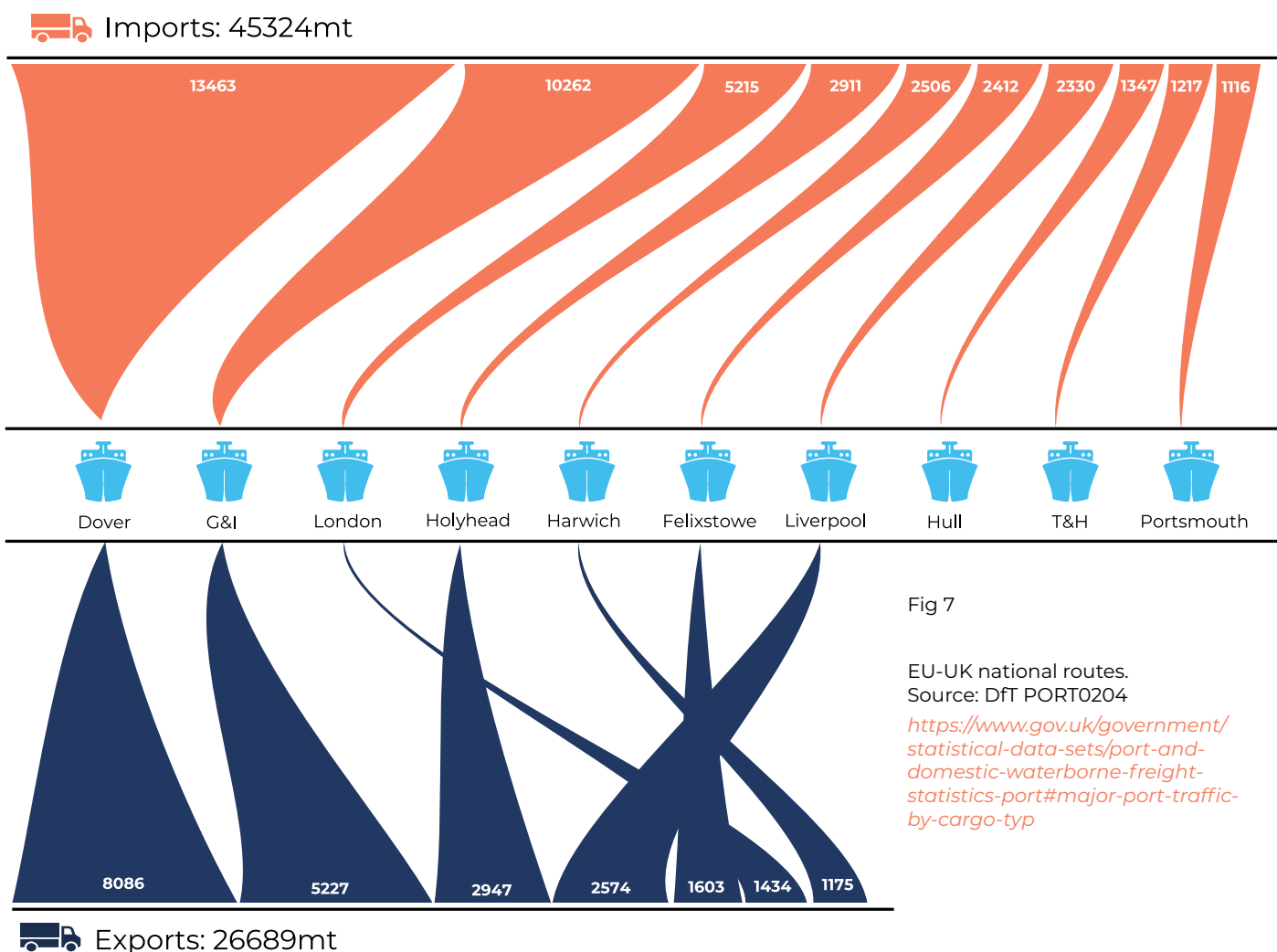


Fig 7

EU-UK national routes.
Source: DfT PORT0204

<https://www.gov.uk/government/statistical-data-sets/port-and-domestic-waterborne-freight-statistics-port#major-port-traffic-by-cargo-typ>

As the UK entered 2021 the most salient features of the UK border with the EU are the concentration of accompanied RoRo traffic on the Dover Straits route (Fig. 7), and a relatively dispersed range of alternatives, predominantly for unaccompanied and containerised traffic.

At the margin we already see suggestions of a shift to both other routes and unaccompanied transit. The extent to which this increases or retrenches will be an interesting feature of future reports covering 2022 and beyond.

Businesses' Experience



Businesses' Experience

Our survey asked traders to report on their experience of using the border in 2021. Respondents reported on the ways they have adapted their businesses to manage changing customs requirements; their experience with

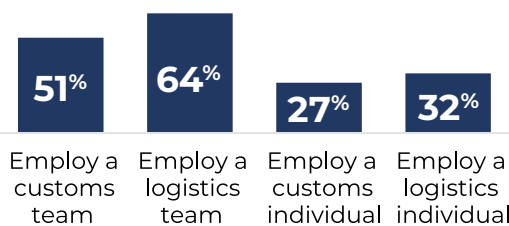
border processes in 2021 and some of the commercial strategies they have adopted to deal with practical conditions. Below this is broken out under capability, costs, experience at the border and inventory management.

Capability

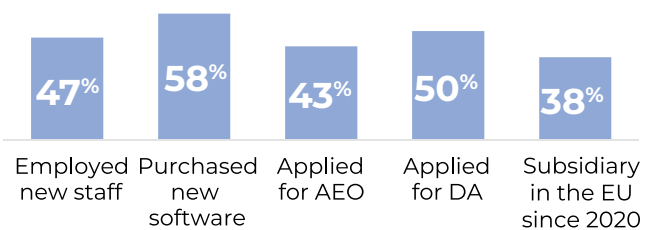
Business capability



Staffing



Other capability investments since 2020



AEO=Authorised Economic Operator
DA = Duty Deferment Account

The majority of businesses surveyed reported some change in their approach to handling border processes, in most cases this will be firms adapting to new EU-UK requirements.

- In just under half of cases (47%) this involved increasing staff. Over half (58%) report investment in new software.
- Half of respondents had applied for a Duty Deferment Account since 2020, which allows businesses to defer duties.
- 43% had applied for authorised economic operator (AEO) status, which allows businesses to reduce checks on the basis of an audit from HMRC.

All of these are encouraging signs of businesses making use of existing tools to facilitate trade. However, as we note below, there is also a recognition in the UK's 2025 Border Strategy that schemes like AEO need to be improved further.

Less encouragingly, evidence from interviews suggests very limited knowledge of government support for traders among those surveyed. Less than a third of respondents felt confident in seeking assistance from UK government services while 40% did not.

It is also worth noting that in 2021, many customs simplifications did not require HMRC approval as part of the UK's phased import controls. Whether uptake expands in 2022 when business must apply for approval will be an important development to watch.

On HMRC simplified procedures: "[You] need a degree in logistics to understand it."

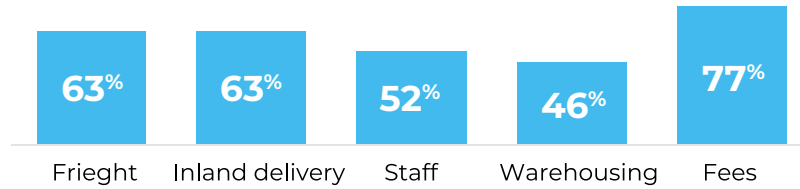
SME, Director. Tobacco products.
12 employees. £2 million turnover.

Costs

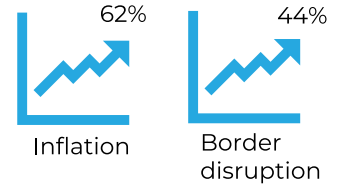
Costs



Increases in



Drivers of cost rises



Cost rises were widespread across businesses we surveyed.

Most respondents experienced a mix of rises for international freight (63%), inland delivery (63%), warehousing (46%), staff (52%) and intermediation fees (77%). The majority (62%) of respondents cited general inflation as the cause of cost increases. But a significant minority (44%) cited border disruption. The quantum of rises was less clear, but some interviewees suggested new EU-UK border processes had added 3-4% to costs.

"The cost of the shipments have gone up, we have to try and pass them on to our customers and they don't want to pay, everything's gone up, fuel, insurance, customs clearance."

SME, Managing Director. Hosiery.
6 employees. 30 years trading.

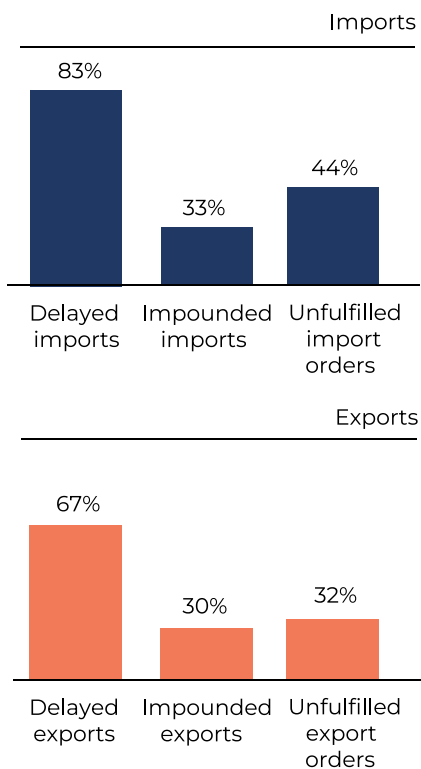


Experience at the border

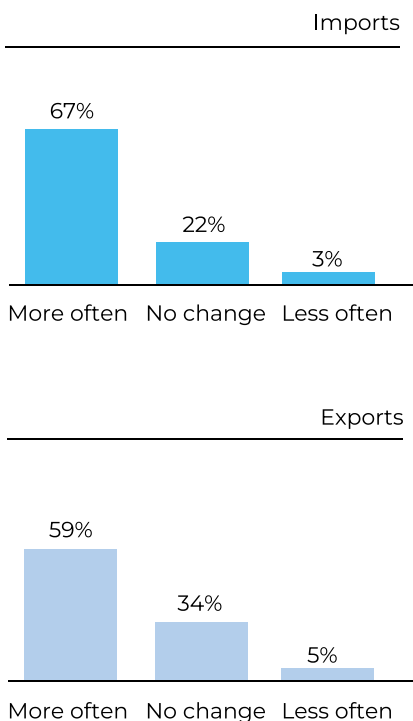


Trader experience at the border

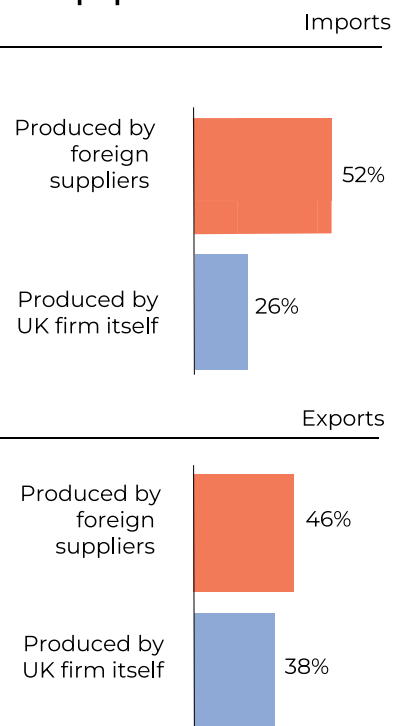
Have experienced...



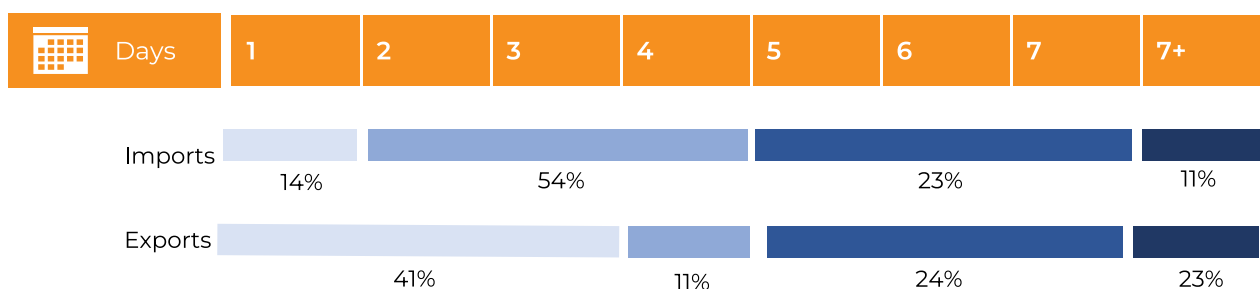
Delays since 2020...



Experienced problems with paperwork...

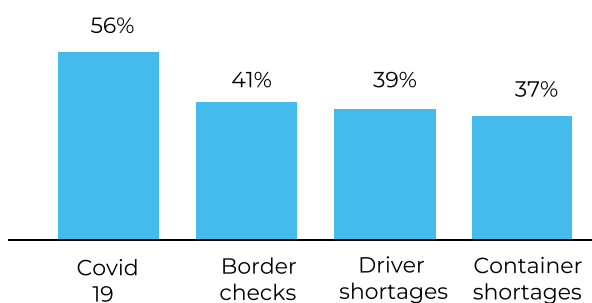


Length of delays 2021



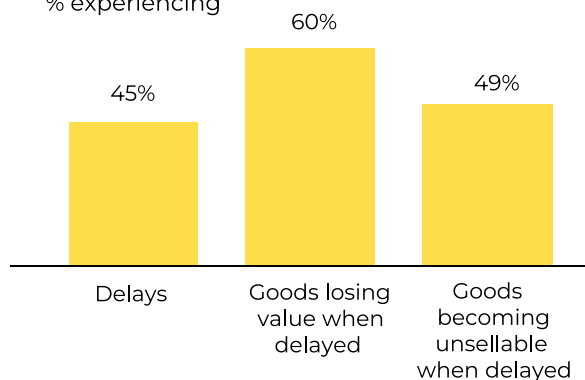
Cited reasons for delays

Multiple responses possible



Importers of perishables

% experiencing



Delays emerge from our survey as the most prominent issue for trading firms. A strikingly high proportion of respondents report experiencing delays, with important consequences for inventory, delivery times and costs.

83% of respondents experienced delays with imports. 67% experienced delays with exports.

The most commonly reported length of delay was 2-4 days (54% of respondents), although some respondents had experienced delays of a week or more.

There was broad agreement that delays were more common since 2020.

"The stress of getting goods into the UK is immense... [chasing suppliers and agents is] now a big part of my life."

SME, Director. Wholesale fabrics.
8 employees. Turnover of £2-3 million.

For those experiencing delay, the costs were clear. Of those trading perishable goods, 45% reported delays at the border (54% did not). Of those, 60% reported goods losing value and 49% goods becoming unsellable. This is consistent with anecdotal evidence and one of the peculiarities of the UK-EU border: the volume and speed of food, plant and animal product trade across it.

It is important to note that delays do not necessarily occur at the border itself. Indeed, border crossings did not experience significant queues, as some had feared, in 2021. The fact that the UK did not itself impose checks on incoming EU goods, suggests that delays happened at other points in the trade chain. Delays away from the border may be caused by time taken to prepare paperwork, to receive confirmation of declarations or license applications, to secure agents and transport or to deal with unprepared customers and suppliers.

"Before [Brexit, the delivery] was two, three working days, now it's seven to ten working days".

SME, CEO. Clothing and footwear.
6 employees. 20 years trading.

This is borne out by the responses of those experiencing delay:

- 41% blame border checks;
- others blame shortages of drivers (39%) and containers (37%).
- 56% cite delays related to COVID-19 or measures to deal with it

Another notable finding given the UK's limited import controls in 2021, was that importers predominantly identified problems with foreign suppliers' paperwork. (52% vs 26% identifying problems in their own paperwork). This may reflect people's tendency to trust themselves over others. It does, however, expose the dependence of importing businesses on their EU-based counterparts for smooth movement through the border.

As with increased costs, disentangling the border-related causes of delays from wider disruption is difficult. Nevertheless, these findings are consistent with the proposition that the 'border' as experienced by businesses is not just a geographical crossing point but an administrative process stretching from factory to distribution. The performance of the border is not just measured by government efficiency in administering a checkpoint but by the operation of businesses along a chain.

"Paperwork, shipping costs, it's just not worth the headache... we don't do anywhere near as much exporting to the EU as before, and I do see that decreasing and we just end up concentrating on the UK."

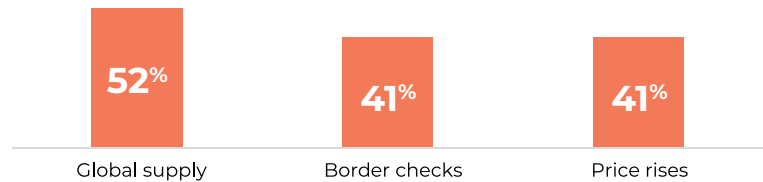
SME, CEO. Clothing and footwear.
6 employees. 20 years trading.

Inventory



57% of respondents had increased stock levels since 2020

Reasons for greater inventory



Inventory is a measure of confidence in supply. The more confident businesses are of their supply, the less stock they need to hold. Conversely, the more uncertain trading conditions are, the greater the benefit of holding supplies.

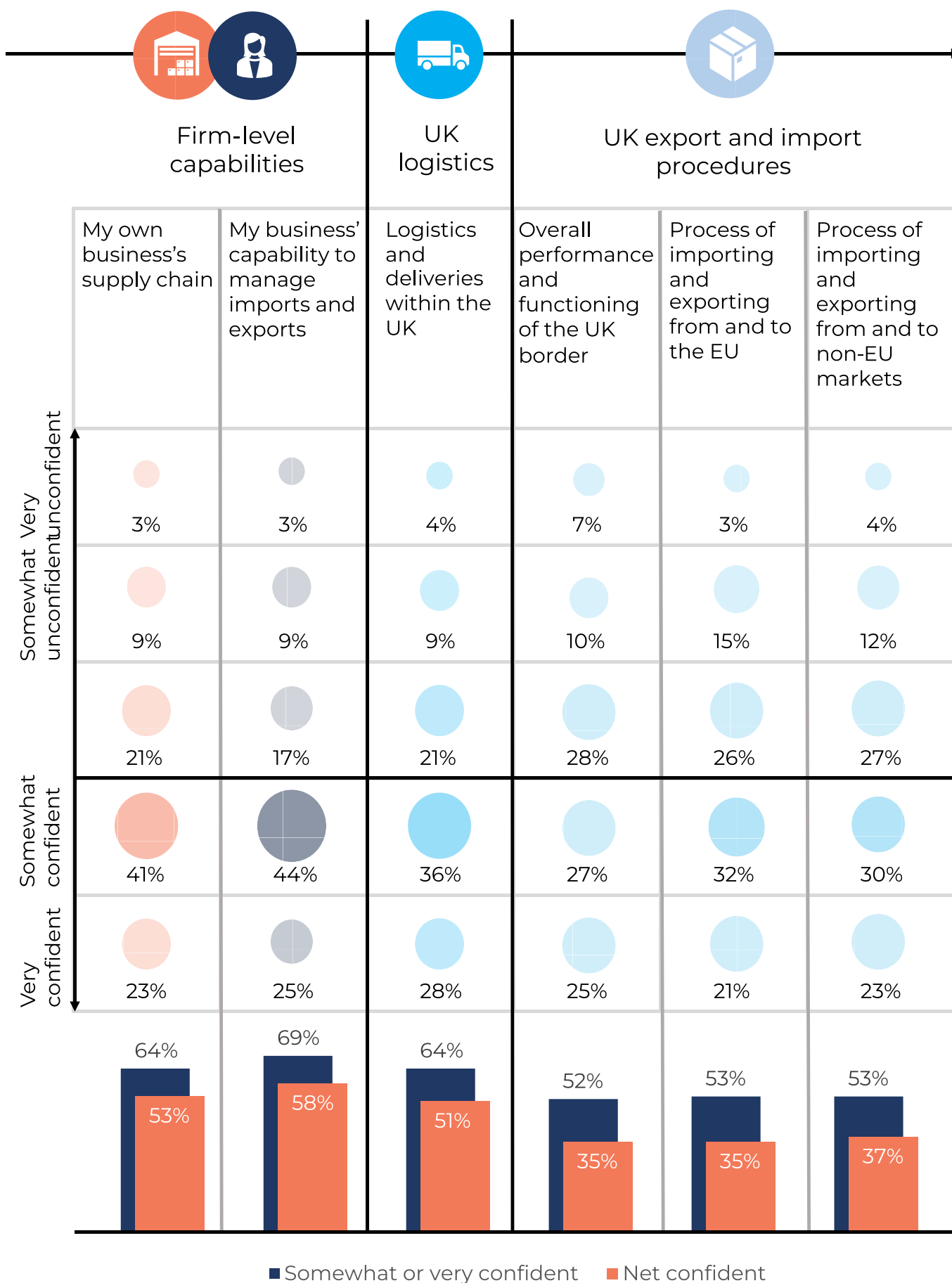
Holding stock is expensive. As noted above, many of our survey respondents found that it got more expensive during 2021, with 46% reporting increases in warehousing costs. Nevertheless, 57% of respondents report increasing their stock levels since 2020. Global supply problems were the most commonly reported reason for increased inventory (52%) but border checks were the main factor for 41%, the same as the figure for price rises.

"This time in 2016 I wouldn't have been putting down this amount of fabric for the suppliers to hold, as I wouldn't have been nervous about the instability of the market."

SME Manager. Soft furnishings.
16 employees.

Sentiment

Trader confidence in...





Looking to 2022,
the importing and
exporting businesses
in our survey are in an
uncertain state of mind.

They are most confident in their own ability to manage imports and exports, in their supply chain and in logistics within the UK with a net confidence level (those expressing some or high confidence minus those expressing low or no confidence) between 51% and 58%.

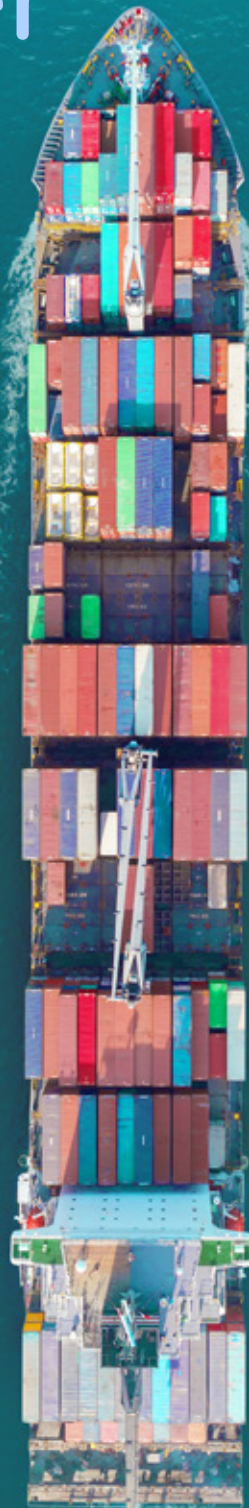
They are notably less confident in the UK border overall, in trade with the EU and in trade with the world. Net confidence here lies between 35%-37%.

"[We had to] work it out ourselves, as most SMEs have... [professional advice] was quite hollow."

SME, Director. High-end homeware.
7 employees.

This may reflect a natural tendency to have greater trust in the elements of business operation over which managers have direct control. However, taken alongside our findings about confidence in government and limited awareness of customs facilitations, they suggest a significant challenge ahead in improving the performance of the border.

The state of the border



The state of the border

The experience of the UK border since 2020 is arguably unique for any large state in the modern period.

The reimposition of customs controls between the EU and UK on 1 January 2021, for the first time in 28 years, meant that around 45% of UK trade became subject – in principle – to customs protocols.

The impact of this for UK traders, especially those two generations with no experience of anything other than customs-free trade with the European Union, is hard to overstate. EU-UK trade is often short-haul, high volume trade calibrated to the single regulatory space and possibilities of the EU single market. This has added to the complexity of reimposing customs protocols, not least on the UK-Irish routes that are integral to the distribution networks of UK-based companies servicing their 'British Isles' markets.

COVID-19 impacted on preparations for this change in 2020-2021 with its own brutal impacts on trade volumes and disrupted supply chains. It was a reminder that an important measure of the efficiency of global supply

chains lies in their constant momentum. Once stalled, this can be hard to repair.

This is the backdrop to border policy in the UK in 2021. Much of that policy has inevitably focused on the practicalities of preparing UK traders for engaging with EU customs systems from the outside; and on preparing the UK border for the switching on of UK customs protocols for EU imports.

However, 2021 also saw the evolution of the UK government's ambition to undertake more fundamental reform of the UK border. On the Dover Straits crossing, the UK has possibly the most complicated - highest volume, highest velocity - trade border in the world. Leaving the EU single market makes a desirable improvement in border management an essential one. Whatever solution the UK develops for trade across the Channel will be a valuable export to the rest of the UK and the wider world.

In 2020, the Government published its strategy for “the most effective border in the world” by 2025. The key pillars of that strategy are

- A ‘Single Trade Window’ to collect data, enabling UK traders to engage with a single interface for making customs declarations;
- Improvements to trusted trader schemes, intended to increase their value for business and better manage the contingent obligations that come with them;
- Enhanced intelligence-gathering for the border, intended in part to consider the question of how the UK customs system uses advanced data analytics to drive efficiency and effectiveness
- Automated data sharing and an ecosystem of trust in which processes are rendered more efficient through elimination of duplication and expanded use of pre-population of customs declarations

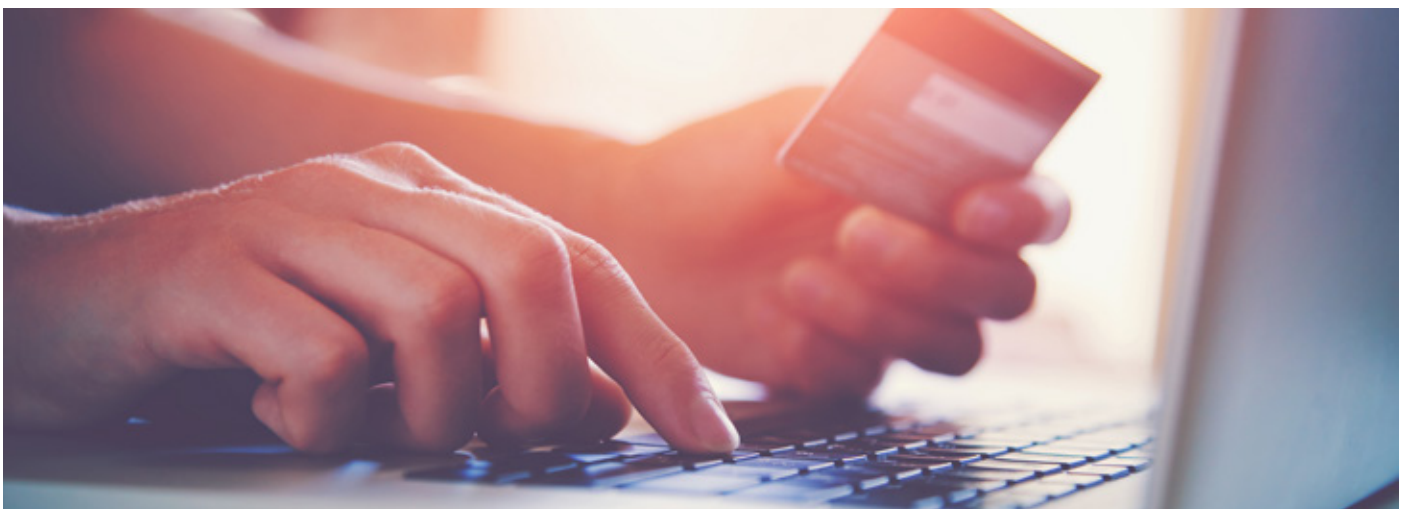
In the 2021 Autumn Budget, the UK Chancellor committed £180m to this programme.

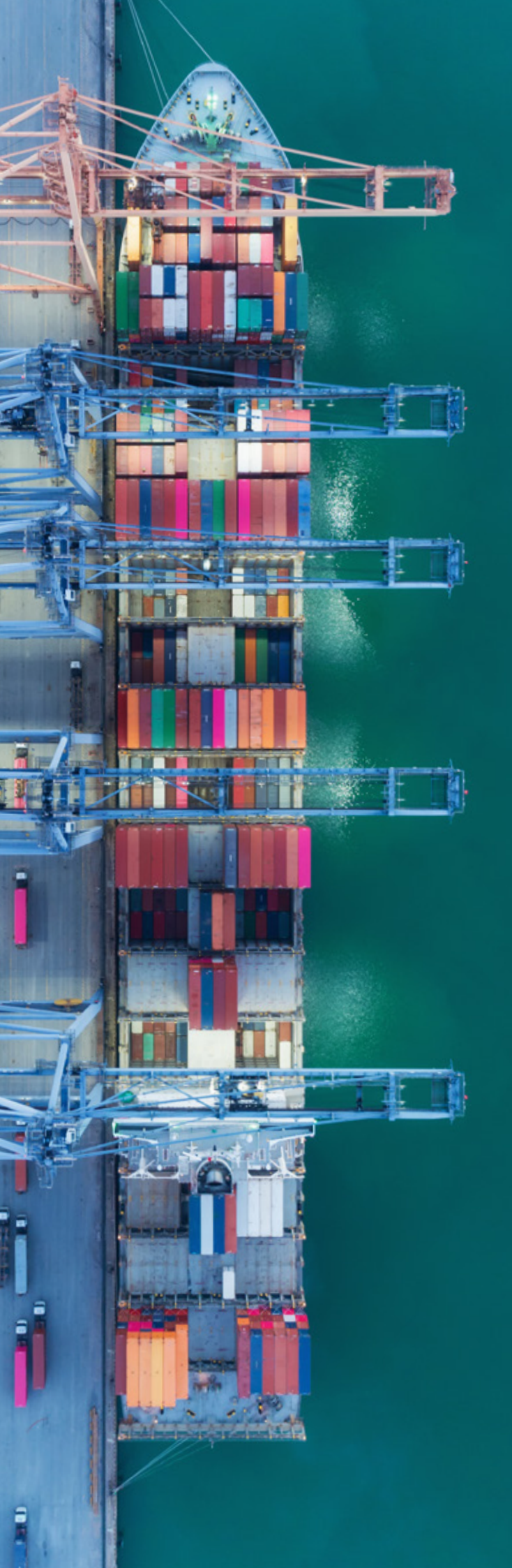
Most of these initiatives map onto the challenges raised by traders in our 2021 State of the Border Survey. In practice, however, while the government is consulting – and arguably straining the capacity of the industry to effectively respond – 2022 will be the year in which the substance behind many of these ideas becomes clearer. In all, the 2025 Border Strategy needs to address three concentric challenges.

The first is to improve internal government management of the border. It may be a step too far to expect a unified ‘border department’. Whitehall reorganisations of that nature usually distract from rather than drive progress. But it is not a step too far to expect government departments to be able to share data, produce common analyses and deliver usable information to their own agencies. At the moment they cannot.

The second challenge is to improve the interaction between government and traders. Self Assessment and Making Tax Digital have transformed how HMRC collects tax. Customs processes are a generation behind. But the challenge relates to more than just how information is collected. The policy must change too. Border regulations are arcane and complicated by overlapping schemes and facilitations. This complexity and the obscure language that cloaks it serves only to entrench incumbent providers, increase costs and frustrate competition.

The third challenge is therefore to improve the market for importing and exporting services. Simplifying processes is a start. Improving government technology is a necessity. But opening up the market - for software and supporting services, training and advice - is a prerequisite for enabling improvements to reach ordinary trading businesses such as those that feature in this report.





2022 will be another year of practical challenges for the UK border. Controls on EU imports, delayed since the UK's departure, will be switched on, with important implications for businesses in the EU selling goods to the UK. Traders will continue to seek ways to manage the practical issues raised in our survey. UK trade data for 2021 suggests signs of changes to routes and modes of transport that may emerge in 2022 as genuine trends.

For the UK government the challenge for 2022 will be to transform the aspirations of the 2025 border strategy into concrete proposals. This should include considerably more ambition to deliver elements before 2025.

Approach



Approach

To produce this report we conduct research across a number of different dimensions to build the most comprehensive and current picture possible.

We used:

- Statistical analysis. We looked at trade data from official sources. In most cases this data is available only to the end of 2020, and therefore misses the effects of the end of the Transition Period. We use this to set the scene and describe the UK experience of trade.
- Polling of trading businesses. We polled 151 businesses involved in importing and exporting in January 2022. This gives us a strong sense of the impact of different aspects of importing and exporting, but it does not provide statistically significant findings. We use this to describe the firm-level experience of trade and the border.
- We conducted 10 in depth interviews online, between 1st and 20th December 2021. Interviewees worked in small trading businesses with direct experience of the UK border and changes at the end of the Transition Period. We use this to provide colour and illustrate individuals' experiences of the border.

In each case, we have used the most current data available alongside our combined experience in the field over the last 5 years and insight from partners in the port, freight, customs and support services sectors.

Statistical sources



UK trade: December 2021, latest update
11 February 2022

<https://www.ons.gov.uk/economy/nationalaccounts/balanceofpayments/bulletins/uktrade/december2021>



Department
for Transport

Transport Statistics Great Britain: 2021,
Latest update 16 December 2021

<https://www.gov.uk/government/statistics/transport-statistics-great-britain-2021/transport-statistics-great-britain-2021>

Port and domestic waterborne freight
statistics: data tables (PORT), Last
updated 15 December 2021

<https://www.gov.uk/government/statistical-data-sets/port-and-domestic-waterborne-freight-statistics-port>

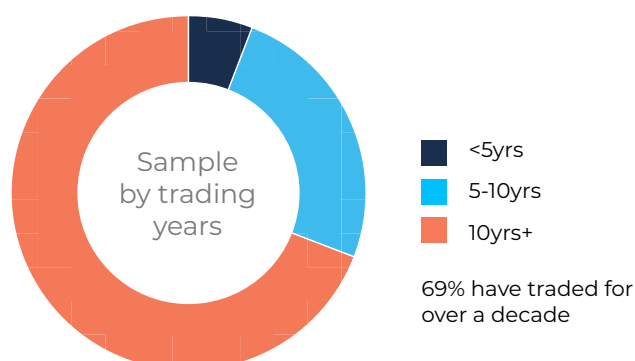
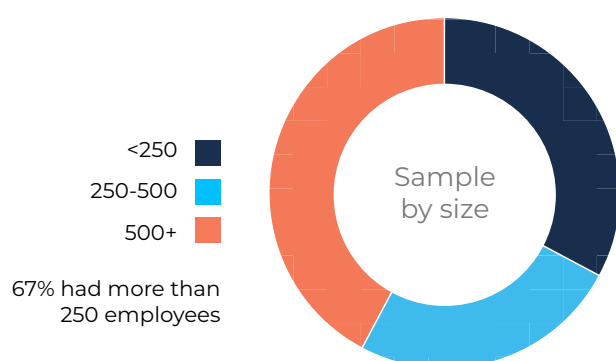
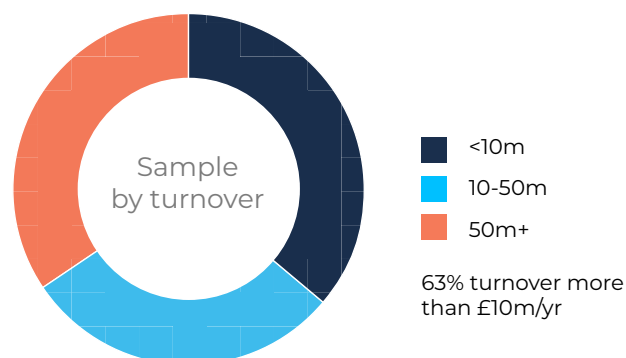
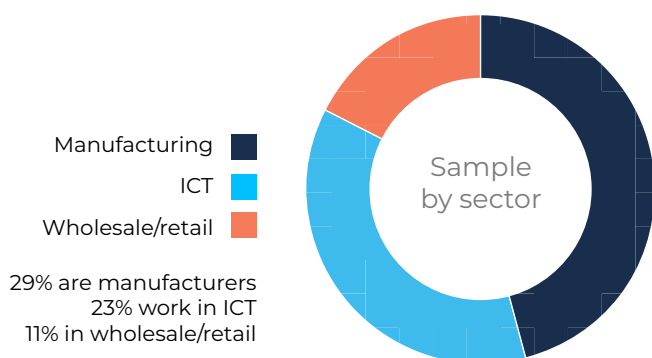
Business Poll Respondents

Our sample was selected for businesses which import and/or export.



Commercial characteristics

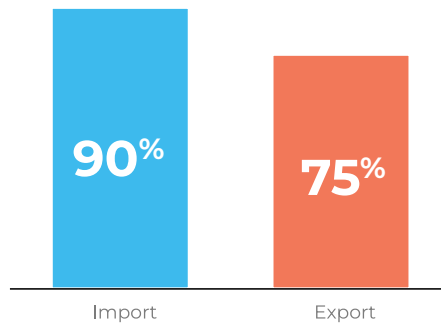
Of businesses we polled...





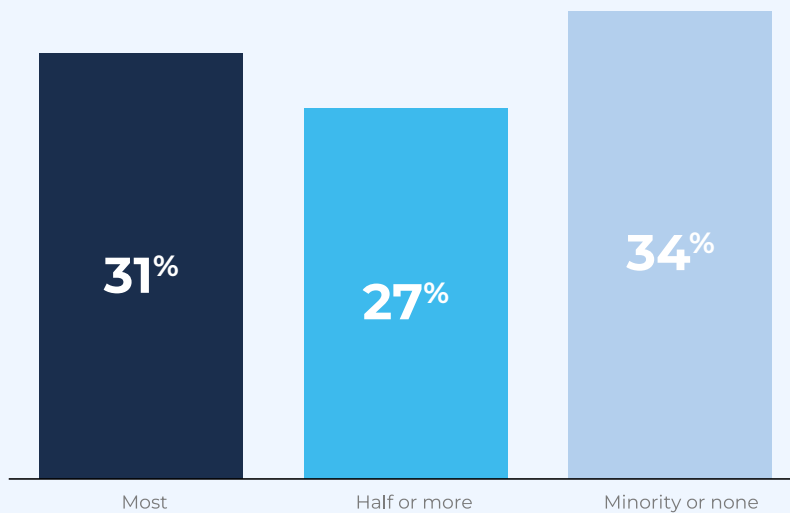
Trade characteristics

Importing vs Exporting



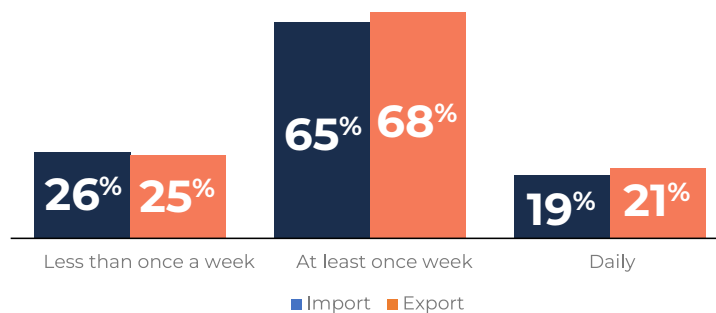
90% import into the UK, 75% export goods from the UK

Proportion of Trade accounted for by the EU



31% say the EU accounts for the majority of their trade; 34% say it accounts for a minority

Frequency of import/export



Two thirds import or export at least once a week

Additional In Depth Interview Sources

Director, late 20s.
Luxury jewellery business.
2 employees.
50 years trading.
£250,000 turnover.

Office Manager, late 40s.
Soft furnishings.
16 employees.
20 years trading.
£3-4 million turnover.

Managing Director, late 50s.
Hosiery.
6 employees.
30 years trading.
£1.5 million turnover (pre-Covid).
Export by road, once a week.

CEO, early 40s.
Clothing and footwear.
6 employees.
20 years trading.

Co-founder, 60s.
Plastic packaging import and export.
100 employees.
£5m turnover.
Daily export.
Once/twice per week import.
Factories in NW England, Asia and South America.

CEO, mid 60s.
Confectionery.
15 employees.
£1 million turnover (£500k last year because of Covid).
Imports twice a week.
Exports to Ireland, Netherlands, France, 80% of business is UK.

Director, late 60s.
Feathers and trimmings for the fashion industry.
5 employees.
90 years trading.
Turnover £250-300,000 a year.

SME, Director, early 50s.
High-end homeware.
7 employees.
Turnover £750k-£1million.

SME, Director, early 40s.
Tobacco products.
12 employees.
£2million turnover.
EU accounts for 60% of sales.

Director.
Fabric for high street fashion.
£2-3 million turnover.
8 employees.
60-70% of fabrics imported from the EU.
20% of sales are to EU.



Written by Christopher Salmon and Stephen Adams.

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Full survey results are available [here](#) or at www.publicfirst.co.uk

Any errors or omissions are ours.



About clearBorder

clearBorder helps businesses adjust to and optimise for international trade. We provide online training products for individuals, teams and businesses; independent advice to help businesses adapt supply chains, systems and data; and expert insight into policy and technology shaping the future trade borders.

<https://clearborder.co.uk/>



Global Counsel

About Global Counsel

Global Counsel is a strategic advisory business with extensive expertise in international trade, regulation and policy. With offices in Brussels, London, Singapore, Washington and Dubai, we help companies and investors manage risk and see opportunities in politics, regulation and public policy.

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Supported by the UK Major Ports Group



About the UK Major Ports Group

The UK Major Ports Group represents the largest nine port operators in the UK, handling 75% of the UK's port volumes.

<http://ukmajorports.org.uk/>